

Holley-Navarre Water System, Inc.

Special Board Meeting Minutes

October 6th, 2017

Bien May, Board President, called the meeting to order at 6:05 P.M. The following Board of Directors were present: Bien May, James Calkins, Ricki DeSantis and Gaius Bruce. Troy Bossier, Brian Kelly and Robert Coley attended via telephone. Also present were: Paul Gardner, Barbara Carawan, Sherry DeVasher, Buz Eddy (FRUS) and Dayna Aldrich (stenographer).

FRUS SRF Loan Refinance

James recommends tabling this item until the next HNWS meeting and to send all board members the applicable information for their review prior to the meeting. He was under the impression this special meeting was only to address the election committee results. Bien explains that Buz Eddy, the President of FRUS' board is here to explain the details. Buz goes over the reasons why FRUS wants to refinance a portion of their current SRF loans, which includes freeing up funds for capital improvements, spreading out the debt amongst current/future customers, and to provide the means to pay back each utility sooner. Discussion continues on the necessity of refinancing the loans and despite clarification provided by Buz, James continues to voice his opposition of refinancing. After other board members voice their concerns about voting without time to review the information, the item is tabled until HNWS' next board meeting (in two weeks) in order to allow time for review. Bien asks that if any board members have questions as they review the information to send them to him, Paul and Barbara to get them answered.

Effluent Disposal Agreement w/ Gulf Breeze

Paul has sent out the numbers associated with Gulf Breeze's reuse disposal proposal to board members, including comparisons for other disposal options to consider (such as Eglin). The purpose of today's meeting is again brought up by Brian. Other board members and Paul express the importance and time sensitive nature of this reuse agreement. **James Calkins motions to approve staff and engineers to move forward and have an attorney draft an agreement. Brian Kelly seconds. Motion passes unanimously.**

Election Committee Recommendation

James presents the recommendations from the election committee meeting by reading a statement containing his motion. **James Calkins reads his motion:**

That all proxies received by HNWS be placed in a lockbox, provided free of charge by the Santa Rosa Supervisor of Elections, which will be maintained in the customer service lobby. A separate PO Box will be obtained at the Navarre Post Office, as to which all proxy envelopes will

be addressed to. Additionally, that the Santa Rosa Supervisor of Elections maintains the key to the lockbox which will be opened during a special meeting at the deadline for proxy submission for counting/validation of the proxies by staff in the meeting room. The board will choose an independent member who will be the only person to have a key to the PO Box. The independent member will be responsible for collecting the proxies and placing them in the lockbox. Proxies received at the PO Box by the submission deadline shall be deemed properly received in the event they have not been placed in the lockbox due to physical limitation. Said proxies shall be immediately delivered to the board meeting for processing or to the lockbox at that time.

The Supervisor of Elections, Tappie Villane, presents an example of a lockbox and answers questions for the Board. Bien clarifies that Tappie will not be counting the proxies, as it was stated during the committee meeting that she and her staff would be counting them. It's confirmed that she will not be counting the proxies and staff will be responsible for that task. James reiterates his opinion that the election needs to be more secure and there's a hole that needs fixed, due to them going to one room and that they could be thrown away. This is after Gaius expresses his doubt that this suggestion is necessary, as staff will still have a part in the process.

What happened at the election committee meeting was then discussed, with James claiming that it was agreed upon that HNWS staff was going to count the proxies with Bien stating it was not. Gaius again points out that he doesn't see any additional security offered by James' motion. Bien feels that there is a blatant mistrust of staff by a board member and does not feel comfortable with staff handling any part of the proxies based on that. There is a proposal from a firm, Saltmarsh, to handle the entire proxy process (including validation) out of the hands of all the employees. Not only one, but all employees. **Bien motions to approve using Saltmarsh, in conjunction with Tappie's lockbox, to have a clean and fair election.** It's approximately \$2.00 extra per proxy for Saltmarsh, about \$1,000.00 for 500 proxies. **The firm will only validate according to an active member list provided to them by staff. Troy seconds.** Brief discussion on Saltmarsh and their reputation as a well-known, reputable firm. Ricki asked for clarification on who is going to deliver them and where do the absentee ballots get mailed to? Are they getting mailed to the PO Box up here? Bien states "to Saltmarsh. Our staff will not touch anything. **It's pointed out that James needs to withdraw his motion, which he then does. Bien's motion passes unanimously.**

Public Forum

Geo Mayer: 6931 Turnberry Circle – Geo inquires on the previous HNWS rate increase and how it relates to FRUS. Paul offers clarification on the necessity of the rate increase

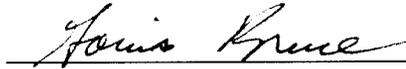
that it was for HNWS capital improvements relating to effluent disposal. This leads to further discussion on FRUS' need to refinance their SRF loans in order to have funding to perform some of the necessary capital improvement projects.

Brian then requests Sherry's HNWS email address, which is provided to him.

Action Items

1. Staff will email board members the FRUS SRF loan refinance information and it will be addressed during the HNWS regular October board meeting.
2. Staff will move forward with having the applicable documentation prepared to move forward with the Gulf Breeze reuse agreement.
3. The necessary steps will be taken to hire Salt Marsh for the handling of the proxy process of the upcoming election.

Meeting adjourned 7:20 P.M.



Gaius Bruce Secretary/Treasurer